GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:3892
ANSWERED ON:21.04.2008
FUNDING IN RURAL OPERATIONS OF BSNL
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether opposing the idea of charging private operators to fund BSNL's rural operations major telecom operators said industry regulator should not finance the State-run telecom behemoth from Universal Service Obligation Fund (USOF) as reported in the Asian Age dated February 10, 2008;

(b) if so, the details of the proposal alongwith the objections thereto; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b) No such news report on the subject in the Asian Age dated February 10, 2008 could be noted. However, during the consultation process carried out by the Telecom Regulatory Authority of India (TRAI) for review of Access Deficit Charge (ADC) for the year 2008-09 for funding of Bharat Sanchar Nigma Limited (BSNL) Wireline operations in rural areas.Specific questions in this regard were posed by TRAI to stakeholders:-

(i) Is there a case for providing support to BSNL from Universal Service Obligation Fund (USOF) for their fixed wireline operations in rural areas? if no, give reasons.

(ii) If the answer to the above is yes, suggest a suitable framework, specifying the details of implementation like amount of subsidy, period of support etc.

While some of the major telecom service providers supported the proposal of funding of Bharat Sanchar Nigam Limited (BSNL) wireline rural operations, some other opposed it.Some of the main objections of the stakeholders in this regard were:-

(i) In a technology neutral environment, there is no need to support any specific technology, particularly the wireline technology which is more expensive.

(ii) The funding should not provide incentives for incurring losses but should promote improved performance of service providers.

(iii) It must be ensured that there is no duplication of support between what BSNL is currently getting from USOF under various schemes and the subsidy support to be considered.

(iv) BSNL should not be provided support from USOF for fixed wireline in rural areas as this support like ADC would distort market conditions.

(v) There does not seem to be any loss to BSNL for providing wireline rural technology and therefore there is no justification for providing any additional support under USOF.

(vi) BSNL should not be allowed to offer lower tariff than the prescribed rural tariff in rural areas as well as in other areas for wireline services to ensure that the subsidy is not used as an incentive to drop the tariffs, which is below cost and other competitors cannot match.

(c) On the basis of consultation process, TRAI's recommendations on "Support for Rural Wireline Connections installed before 01.04.2002 from USOF, on phasing out of ADC" were issued on 27th March, 2008.The TRAI's recommendations are presently under examination of the Government.